

Message Text

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ACTION EB-07

INFO OCT-01 ARA-10 ISO-00 AGR-10 COME-00 CIAE-00 INR-07

NSAE-00 /035 W

----- 104296

R 061800Z AUG 75

FM AMEMBASSY MANAGUA

TO AMEMBASSY SALVADOR

INFO SECSTATE WASHDC 7647

UNCLAS MANAGUA SECTION 1 OF 2 MANAGUA 3041

FOR: O'MARA AGATT

E.O. 11652: NA

TAGS: EAGR, ETRD

SUBJECT: NICARAGUAN CIGAR WRAPPER LEAF PRODUCTION

REF: SAN SALVADOR 2903

IN ANSWER TO THE REFERENCE AIRGRAM, THE FOLLOWING INFORMATION HAS BEEN DEVELOPED REGARDING NICARAGUA'S PRODUCTION OF CIGAR WRAPPER LEAF FOR THE PERIOD 1970-74:

A.1) PRODUCTION

1970/71 16,195 QUINTALS 1# COVERED

1971/72 17,012 - "

1972/73 17,100 " "

1973/74 23,662 " "

1974/75 35,530 " " PLUS 4,257 QUINTALS UNCOVERED

THE ABOVE INFORMATION IS SUPPLIED BY AGRICULTURAL YEAR WHICH RUNS FROM SEPTEMBER OF ONE YEAR TO AUGUST OF THE FOLLOWING YEAR.

2) NUMBER OF GROWERS AND ACREAGE

GROWERS:

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1970/71 20 ACREAGE: 463 HECTARES 2# COVERED

1971/72	20	463	"	"
1972/73	20	463	"	"
1973/74	23	543.8	"	"
1974/75	25	726.8	"	" PLUS 113 HECTARES

UNCOVERED

COST

3) GROWERS COST PER HECTARE

FOR THE PERIOD:

1970/72	C\$ 25/28,000	3#
1973/74	C\$ 31,000	
1974/75	C\$ 36,000	

4) BREAKDOWN OF PRODUCTION COST

IT WAS NOT POSSIBLE TO OBTAIN A BREAKDOWN OF PRODUCTION COSTS.
BIMMZH& DOMESTIC CONSUMPTION

THE ONLY FIGURES AVAILABLE FOR DOMESTIC CONSUMPTION ARE FOR
THE PERIOD 1974/75. DURING THIS PERIOD, 3,300 QUINTALS OF
HAVANA TYPE TOBACCO (WRAPPER LEAF) WERE DOMESTICALLY USED.
FIGURES FOR THE PRVIOUS YEAR ARE NOT AVAILABLE.

1# ONE QUINTAL EQUALS 100 LBS.

2# ONE HECTARE EQUALS 2.51 ACRES.

3# ONE CORDOBA EQUALS US\$0.1418

C. EXPORTS OF CIGAR WRAPPER LEAVES INCLUDING EASTE

NICARAGUA

1970

COUNTRY OF DESTINATION	QUANTITY KGS.	VALUE US\$
U.S.A.	417,869	1,709,652
COSTA RICA	1,397	452
EL SALVADOR	48,629	38,569
GUATEMALA	----	----
HONDURAS	90,710	97,580
BELGIUM	----	----

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GERMANY	----	----
GREAT BRITAIN	----	----
HOLLAND	----	----
PUERTO RICO	16,067	45,001
SPAIN	----	----
TOTAL	574,771	1,891,254

1971

U.S.A	487,920	2,031,147
COSTA RICA	4,222	17,577
EL SALVADOR	405	3,722
GUATEMALA	72,150	806
HONDURAS	143,122	195,787
BELGIUM	221	1,288
GERMANY	18,470	25,722
GREAT BRITAIN	2,402	I 2,557
HOLLAND	10,694	20,689
PUERTO RICO	15,965	17,218
17;218		
SPAIN	25,339	14,973
TOTAL	780,910	2,331,486

1972

U.S.A.	804,383	3,037,089
COSTA RICA	11,104	41,300
EL SALVADOR	358	3,412
GUATEMALA	402	3,834
HONDURAS	89,241	131,634
BELGIUM	-2,024	30,770
GERMANY	97,375	177,012
HAITI	----	----
HOLLAND	2,402	4,460
PUERTO RICO	34,452	70,131
SPAIN	39,452	82,633
VENEZUELA	----	----
TOTAL	1,191,243	3,582,275

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1973

U.S.A	682,910	2,307,868
COSTA RICA	2,882	5,332
EL SALVADOR	----	----
GUATEMALA	26,128	29,476
HONDURAS	114,538	149,560
BELGIUM	6,300	10,956
GERMANY	64,465	84,554
HAITI	51,255	74,769
HOLLAND	1,375	2,730
PUERTO RICO	39,995	
	117,986	
SPAIN	47,119	79,322
VENEZUELA	12,178	56,826

TOTAL	1,049,145	2,919,379
1974		
U.S.A.	995,182	3,250,180
COSTA RICA	4,271	4,278
HONDURAS	112,213	185,878
BELGIUM	32,667	72,483
GERMANY	109,908	197,643
JAPAN	5,935	29,055
PUERTO RICO	17,843	61,322
SPAIN	28,043	49,267
VENEZUELA	17,932	66,390
TOTAL	1,283,984	3,907,496

NOTE BY OC/T: &AS RECEIVED.

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ACTION EB-07

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D. STRUCTURE OF INDUSTRY

1) THE HAVANA TYPE TOBACCO INDUSTRY (WRAPPER LEAF) WAS STARTED IN 1964 BY CUBAN EXILED TECHNICIANS. OF THE 25 FIRMS OR INDIVIDUALS PRESENTLY ENGAGED IN THE PLANTING OF THIS TYPE OF TOBACCO DURING THE 1974/75 SEASON, 10 ARE OWNED BY CUBANS NATURALIZED NICARAGUAN, 7 ARE CUBAN NATURALIZED-NICARAGUAN ENTERPRISES, AND 8 ARE NICARAGUAN FIRMS.

2) THE MARKETING OF THE HAVANA TYPE TOBACCO (WRAPPER LEAF) GROWN IN NICARAGUA IS IN THE HANDS OF CUBAN FIRMS ESTABLISHED IN

THE UNITED STATES, PRINCIPALLY IN TAMPA, ALTHOUGH SOME ARE

DOMICILED IN MIAMI. THE CONTRACTS FOR THE LOCAL CROP WITH THESE FIRMS ARE FOR ONE YEAR, RENEWABLE. THE PRICES ARE ESTABLISHED BY CLASS SUCH AS WRAPPER LEAVES, FILLERS, ETC.

3) FROM 1964 TO 1972 THE INDUSTRY WENT THROUGH A VERY DIFFICULT PERIOD, LOSING MONEY EVERY YEAR TO THE EXTENT THAT THE NATIONAL DEVELOPMENT INSTITUTE (INSTITUTO DE FOMENTO NACIONAL - INFONAC), WHICH CONCEIVED AND STARTED THE PROJECT AND HAS SINCE ITS INCEPTION FINANCED ALL GROWERS, IN ORDER TO AVOID CERTAIN BANKRUPTCY OF THE INDUSTRY, HAD TO RESTRUCTURE ALL THE LOANS, GRANTING 20 YEARS TERMS AND PREFERENTIAL RATES OF INTEREST, DOWN FROM 11 PERCENT PER ANNUM TO 2 PERCENT.

4) ACCORDING TO INFONAC OFFICIALS, BECAUSE OF THE DIFFICULTY IN UNCLASSIFIED

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ESTABLISHING A MARKETING ORGANIZATION OF ITS OWN, IT HAS TO RELY ON UNITED STATES IMPORTERS AND DEALERS. THESE SAME SOURCES ALSO STATED THAT LATELY, IN ORDER NOT TO DEPEND EXCLUSIVELY ON THE UNITED STATES MARKET THE UNITED STATES IMPORTERS AND DEALERS HAVE UNDERTAKEN UPON THEMSELVES THE TASK OF PROMOTING THE MARKETING OF THE NICARAGUAN CROP IN EUROPE AND IN JAPAN, ASKING THE LOCAL GROWERS NOT TO REDUCE THE ACREAGE.

5) THERE ARE NO UNITED STATES FIRMS OR SUBSIDIARIES ENGAGED IN THE LOCAL PRODUCTION OF TOBACCO WRAPPER LEAVES.

E. GOVERNMENT POLICY, SUPPORT AND SUBSIDIZATION

THE ONLY SUPPORT CONCEDED TO THE PRODUCERS OF WRAPPER LEAF IS THE EXTENSION OF THE TERMS OF THE LOANS AND THE GRANTING OF PREFERENTIAL INTEREST RATES.

F. OUTLOOK FOR THE INDUSTRY

THE LOCAL TOBACCO WRAPPER LEAF INDUSTRY WAS CREATED TO SUPPLY THE UNITED STATES MARKET WITH THIS COMMODITY WHICH NO LONGER COULD BE OBTAINED FROM CUBA. SINCE THEN THE UNITED STATES HAS BEEN NICARAGUA'S PRINCIPAL PURCHASER OF WRAPPER LEAF, ALTHOUGH ITS INTRODUCTION INTO THE UNITED STATES MARKET HAS BEEN DIFFICULT AND COSTLY TO THE LOCAL PRODUCERS MAINLY BECAUSE OF THE LACK OF MARKETING KNOW-HOW.

DURING THE PERIOD UNDER CONSIDERATION, 1970/74, YEARLY EXPORTS BY WEIGHT OF WRAPPER LEAF TO THE UNITED STATES HAVE AVERAGED 69 PERCENT OF THE TOTAL EXPORTS OF THIS COMMODITY. IN THE SAME PERIOD, THE LOWEST PERCENTAGE OF TOTAL EXPORTS BY WEIGHT TO THE UNITED STATES WAS 66 AND THE HIGHEST 77.5. NICARAGUA'S NEXT PRINCIPAL

CUSTOMER HAS BEEN HONDURAS, WELL BELOW THE LEVELS OF THE UNITED STATES IMPORTS.

AS THE MAIN DIFFICULTY FOR THE DEVELOPMENT OF NEW MARKETS FOR THIS COMMODITY IS MARKETING ITSELF, THE MEDIUM TERM OUTLOOK FOR THE INDUSTRY
DEPENDS ON WHETHER OR NOT NICARAGUA IS ABLE TO DO IT,
SO AS NOT TO DEPEND MAINLY ON ITS EXPORTS TO THE UNITED STATES.
SINCE THIS SEEMS IMPOSSIBLE FOR THE IMMEDIATE FUTURE DUE TO THE
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LACK OF EXPERTISE, SHOULD THE UNITED STATES DECIDE TO INCREASE IMPORT DUTIES ON TOBACCO WRAPPER LEAF, IT IS MOST CERTAIN THAT THIS INDUSTRY WILL SUFFER GREATELY IN NICARAGUA.
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